

**EXHIBIT 1**



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December 28, 2007

**VIA FEDEX AND FAX (904-245-5601)**

Unitrin Preferred Insurance Company  
5210 Belfort Road, Suite 120  
Jacksonville, FL 32256

Re: **DEMAND FOR ARBITRATION**

Dear Sir or Madam:

We represent Continental Insurance Company ("CIC") in connection with the following demand for arbitration against The Unity Fire and General Insurance Company, n/k/a Unitrin Preferred Insurance Company ("Unity Fire").

CIC issued Excess Umbrella Liability Policy No. SRX 2153454 effective January 1, 1981 to January 1, 1982 and Excess Umbrella Liability Policy No. SRX 3196874 effective January 1, 1982 to January 1, 1983 to Minnesota Mining and Manufacturing Company (the "3M Policies").

Unity Fire reinsured the 3M Policies under Casualty Facultative Reinsurance Certificate Nos. A1384-U and A2384-U effective January 1, 1981 - January 1, 1982 and January 1, 1982 - January 1, 1983, respectively (the "Reinsurance Contracts"). In exchange for a portion of CIC's premium, Unity Fire agreed to indemnify CIC under the Reinsurance Contracts for loss and loss expense paid under the 3M Policies.

CIC has made payments under the 3M Policies for silicon breast implant-related claims asserted against 3M. Unity Fire was billed \$1,774,363 in 2006 (the "3M Claim") for its share of those payments. Unity Fire is obliged under the Reinsurance Contracts to indemnify CIC for the 3M Claim, but has failed to do so.

At all pertinent times, the Reinsurance Contracts contained a clause requiring arbitration of disputes arising thereunder. CIC hereby demands arbitration against Unity Fire with respect to the 3M Claim and further demands that Unity Fire appoint an arbitrator within sixty (60) days of today. If Unity Fire fails to timely appoint its arbitrator, CIC shall appoint one for it, pursuant to the terms of the arbitration clause.



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CIC shall seek from the Arbitration Panel an award directing Unity Fire to pay to CIC its subscribed share of the 3M Claim, along with interest, attorneys' fees, and such further relief as the arbitration panel deems just.

Very truly yours,

A handwritten signature in black ink, appearing to read "Thomas D. Cunningham".

Thomas D. Cunningham

cc: Victoria P. Hallock  
Eric J. Byrd



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**FACSIMILE/TELECOPIER TRANSMISSION**

**From:** Name: Daniel J Neppi  
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**To:** Name: Unitrin Preferred Insurance Company  
Company: Unitrin Preferred Insurance Company  
Facsimile#: 904 245-5601  
Voice Phone:  
Subject: Continental Insurance Company - Demand for Arbitration

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**Message:**

The attached is being sent to you on behalf of Thomas D. Cunningham.

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